
Courtesy: House Education and the Workforce

Placing the Pension Benefit Guaranty Corporation (PBGC) on More Solid Financial Foundation, Protecting Agency from Massive Taxpayer Bailout

The PBGC is a federal government agency established in 1974 by the Employee Retirement Income Security Act (ERISA). It was created by Congress to assume the liabilities for certain pension benefits for a company's workers and retirees when the plan is terminated and cannot afford to pay all benefits. Currently, the PBGC insures private pensions for 44 million people participating in more than 29,000 plans. In 2004, it paid more than \$3 billion in benefits to a half million people in some 3,500 plans terminated by financially distressed companies.

- Just four years ago, the PBGC operated with an annual surplus. However, the agency's financial health has been on a strikingly rapid decline ever since. Although the PBGC has enough resources to make benefit payments for the near future, the long-term outlook for the agency is anything but certain.

Addressing the needs of Workers, Retirees and the American Taxpayer

- The House Education and the Workforce Committee developed proposals on pensions that will raise the flat rate premiums and establish a termination premium for companies that terminate their pension plans in bankruptcy. These proposals will generate savings of \$6.2 billion over five years and provide the PBGC with additional resources.
 - Increases flat-rate premiums from \$19 to \$30 per participant beginning in 2006.
 - Establishes a \$1,250 per participant termination premium paid for three consecutive years by companies that terminate their plans through bankruptcy.
- Congress has not raised the \$19 premium employers pay to the PBGC since 1991, so the Committee is proposing a reasonable premium increase that will help strengthen the financial condition of the agency immediately.
- These proposals will help put the PBGC on a more stable financial foundation so it can serve workers, and retirees well into the future.
- The health of the PBGC is just as critical to these workers and retirees as it is to American taxpayers, which makes it all the more troubling that in January, the Government Accountability Office (GAO) announced that the PBGC remains on its list of "high risk" programs requiring additional federal attention.
- This proposal will help protect the agency from a massive taxpayer bailout.